

Message Text

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ACTION EUR-12

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COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-01 INR-05

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

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FM AMEMBASSY ANKARA

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INFO AMCONSUL ISTANBUL

AMEMBASSY LONDON

C O N F I D E N T I A L ANKARA 9886

E.O. 11652: GDS

TAGS: BGEN, ENRG, TU

SUBJECT: DISAGREEMENT OVER TURKISH PRICE FOR CRUDE PETROLEUM IMPORTS

REF: (A) ANKARA 9808 (B) ISTANBUL 3432

1. CASANOVA, MOBIL REPRESENTATIVE, TURKEY, DECEMBER 20, CALLED ON DCM AND E/COM COUNSELOR TO REPORT ON HIS MEETING EARLIER THAT DAY WITH MINISTER FOR ENERGY REGARDING PETROLEUM PRICE PROBLEM. HE SAID HE GAVE MINISTER LETTER INDICATING MOBIL COULD NOT CONTINUE PROVIDE CRUDE PETROLEUM AFTER JANUARY 1 UNLESS GOT SETS REALISTIC PRICE. MOBIL WOULD BE HAPPY CONTINUE SUPPLY CRUDE IF GOT WOULD ESTABLISH SATISFACTORY PRICE EFFECTIVE AT EARLIEST OPPORTUNITY; I.E., NOT LATER THAN JANUARY 1, 1975. HE HOPED MINISTER WOULD AT LEAST MAKE NEW FAIR PRICE EFFECTIVE AS OF NOVEMBER 1, 1974. HE ALSO ASKED THE MINISTER TO REVIEW THE PRICES WHICH HAD BEEN ESTABLISHED UNDER RECENT DECREE FOR ENTIRE YEAR 1974. MOBIL HOPED THAT PRICE FOR PAST YEAR COULD BE ULTIMATELY RECTIFIED BUT DOES NOT REQUIRE THIS AS CONDITION FOR CONTINUING SUPPLY CRUDE.

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2. IF GOT DOES NOT ESTABLISH ACCEPTABLE PRICE, MOBIL WILL PROPOSE TWO ALTERNATIVES (AS REPORTED ISTANBUL 3432: I.E., (A) MOBIL WILL MAKE AN EFFORT TO OBTAIN CRUDE ON THE OPEN MARKET AT THE PRICE ESTABLISHED BY THE GOT OR (B) MOBIL WOULD BE PREPARED TO BUY, OR TO PROCESS FOR A FEE, CRUDE OIL WHICH GOT MAY BE ABLE TO OBTAIN UNDER SPECIAL ARRANGEMENTS.

3. CASANOVA REPORTED THAT HE HAD A LONG AND DETAILED DISCUSSION WITH THE MINISTER WITH, HOWEVER, LITTLE PROGRESS. HE REPORTED THAT THE MINISTER AGAIN APPEARED SURPRISED TO LEARN THAT PRICES ESTABLISHED BY THE RECENT DECREE DID NOT TAKE ACCOUNT OF THE PRESENT MARKET REALITIES. CASANOVA SAID THIS WAS QUITE DISCOURAGING IN VIEW OF THE NUMBER OF TIMES HE HAS PRESENTED FULL FACTS TO GOT OFFICIALS INCLUDING HIS PRESENTATION TO MINISTER FOR ENERGY LAST WEEK AS REPORTED REFTEL (A). MINISTER AGAIN GAVE CASANOVA (RATHER VAGUE) ASSURANCE THAT IF GOT HAS MADE ERROR ABOUT PRICE IT WILL TRY TO CORRECT IT AS SOON AS POSSIBLE. MINISTER DID NOT THINK GOT WOULD BE ABLE TO BUY CRUDE FOR RESALE TO MOBIL BUT LEFT OTHER ALTERNATIVES PRESENTED BY MOBIL FOR LATER CONSIDERATION.

4. CASANOVA TOLD EMBASSY OFFICERS MOBIL OFFICIALS ARE AWARE OF THREAT BY GOT OFFICIALS ON PREVIOUS OCCASIONS THAT GOT MIGHT NATIONALIZE ATAS REFINERY UNDER SECTION 132 OF PETROLEUM LAW IF MOBIL AND/OR BP CEASE TO SUPPLY CRUDE. MINISTER, HOWEVER, DID NOT MENTION THIS POSSIBILITY DURING DECEMBER 23 MEETING. MOBIL, HOWEVER, IS PREPARED TO FACE SUCH A PROSPECT AS IT CANNOT GO ON SUPPLYING CRUDE TO TURKEY AT A FINANCIAL LOSS, CASANOVA SAID.

5. CASANOVA SAID THAT MOBIL IS EXPECTING SHIPMENT OF CRUDE REACHING MERSIN ON DECEMBER 26. BEYOND THIS IT HAS NOT MADE ANY FURTHER ARRANGEMENTS SUPPLY CRUDE TO TURKEY PENDING CORRECTIVE ACTION BY GOT REGARDING PRICE. HE SAID NEXT MOVE IS UP TO GOT.

6. COMMENT. UK AMBASSADOR HAD EARLIER IN DAY INFORMED AMBASSADOR MACOMBER THAT BP WILL ADVERTISE TO SEE IF IT CAN GET ANY CRUDE AT GOT PRICE AND WILL INFORM MINISTER OF RESULTS. UK AMB ALSO SAID THAT HMG LONDON HAS LEARNED FROM WASHINGTON THAT USG POSITION IS NOT TO INTERVENE IN WHAT IT REGARDS AS PURELY COMMERCIAL DISPUTE; I.E., OVER PRICE. UK AMB ALSO SAID HMG

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UNDERSTANDS USG WILL REJECT ANY SUGGESTION BY GOT THAT MATTER SHOULD BE BROUGHT UP WITHIN PROVINCE OF INTERNATIONAL ENERGY AGENCY (IEA) AS LATTER IS NOT CONCERNED WITH PURELY COMMERCIAL DISAGREEMENTS. DEPARTMENT'S COMMENTS ON VALIDITY (OR LACK OF VALIDITY) OF UK REPORT WOULD BE APPRECIATED.

BP HAS. IN FACT, PLACED HALF-PAGE ADS IN LEADING TURKISH

NEWSPAPERS OFFERING TO BUY CRUDE PETROLEUM AT PRICE ESTABLISHED
BY GOT. THIS HAS ALREADY DRAWN CRITICAL EDITORIAL COMMENT
CHARACTERIZING BP ACTION AS UNDUE PRESSURE ON GOVERNMENT. PRESS
ALSO PINTS OUT THAT NO ONE READING TURKISH NEWSPAPERS IS LIKELY TO
HAVE CRUDE PETROLEUM FOR SALE TO MAJOR INTERNATIONAL COMPANIES.
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